

Message Text

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PAGE 01 BRUSSE 10805 021716Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 STRE-00 STR-07 AID-05
CEA-01 CIAE-00 COME-00 EB-08 FRB-03 INR-10
NSAE-00 SP-02 TRSE-00 LAB-04 SIL-01 OMB-01 SSO-00
INRE-00 /068 W

-----053369 021721Z /64

O 021703Z JUN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 7027
INFO ALL EC CAPITALS
USMISSION GENEVA

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USEEC

PASS AGRICULTURE ELECTRONICALLY FOR ASSISTANT SECRETARY

HATHAWAY AND STR FOR STARKEY

PARIS ALSO FOR USOECD

GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: PROCESSING SUBSIDIES FOR PLUMS AND CANNED PEACHES

REF: (A) STATE 132444; (B) STATE 130608; (C) BONN 9960

1. SUMMARY: EC COMMISSION IS EXPECTED TO AGREE SHORTLY
TO HOLD TECHNICAL CONSULTATIONS WITH THE U.S. ON PROCESS-
ING SUBSIDIES FOR PLUMS AND CANNED PEACHES. MANAGEMENT
COMMITTEE OPINION POSTPONED UNTIL JUNE 16. END SUMMARY.

2. ON JUNE 1, GUNDELACH'S CHIEF OF CABINET BAUMANN

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TELEPHONED MONTEL TO REJECT OUR REQUEST FOR CONSULTATIONS
ON EC PROCESSING SUBSIDY LEVELS FOR PROCESSED FRUITS AND
VEGETABLES. WE THEN ASKED THE AG ATTACHES IN LONDON,
BONN, COPENHAGEN, THE HAGUE AND BRUSSELS TO TRANSMIT TO
APPROPRIATE OFFICIALS OF THEIR HOST GOVERNMENTS, THE
USG'S VIEWS AS OUTLINED IN REFTEL (A) AND (B), AND TO
STRESS OUR DESIRE TO CONSULT BEFORE THOSE SUBSIDIES WERE

APPROVED BY THE COMMISSION. BONN REPORTED THE RESULTS OF THEIR DISCUSSIONS IN REFTEL (C). FOLLOWING IS OUR UNDERSTANDING OF VIEWS OF OTHERS. BELGIUM AND LUXEMBOURG OFFICIALS WERE NON-COMMITTAL, BUT DISCLAIMED THEIR NEED FOR ANY PROTECTION FOR PRUNES OR CANNED PEACHES. UK AND DUTCH OFFICIALS SAID THEY WERE SHOCKED BY THE ALLEGEDLY HIGH LEVEL OF SUBSIDIES UNDER CONSIDERATION AND WOULD PUSH HARD TO KEEP THE LEVEL DOWN. DANISH OFFICIALS SAID THAT THE FORMULA USED FOR CALCULATING THE SUBSIDIES HAD BEEN APPROVED BY THE COUNCIL OF MINISTERS AT THE SAME TIME AS THE PRICE PACKAGE AND THAT, THEREFORE, THE FORMULA COULD NOT BE CHANGED. THE DANES FELT THAT, SINCE THE SUBSIDY REPORTEDLY IS ONLY TO APPLY TO THE "DENT" VARIETY OF PLUMS, IT SHOULD NOT INTERFERE WITH U.S. EXPORTS TO THE EC, NOR WOULD IT AFFECT PRODUCTION OF COMPETITIVE VARIETIES. THEY SAID THERE IS A PROVISION IN THE FORMULA FOR ADJUSTING THE SUBSIDY IF IT INCREASES EC PLUM PRODUCTION. THE DANES STRESSED, AS DID THE GERMANS, THAT THE ENTIRE MATTER OF PROCESSING SUBSIDIES IS SENSITIVE BECAUSE IT WAS PART OF A POLITICAL PAYOFF TO THE FRENCH AND ITALIANS IN THE RECENT PRICE SUPPORT NEGOTIATIONS.

3. THAT SAME DAY, WE REPORTED THE MONTEL/BAUMANN TELECON TO AARTS AND KRENZLER, DIRECTORATE GENERAL I (EXTERNAL RELATIONS). THEY EXPRESSED THEIR CONCERN AND IRRITATION WITH DG-VI IN THIS AFFAIR FOR HAVING RESPONDED TO OUR LIMITED OFFICIAL USE

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FORMAL REQUEST FOR CONSULTATIONS WITHOUT FIRST HAVING COORDINATED WITH THEM. THEY AGREED WITH US THAT DG-VI'S REFUSAL TO CONSULT COULD ADVERSELY AFFECT THE ATMOSPHERE FOR THE AGRICULTURAL MTN'S, WHICH IS DIFFICULT ENOUGH ALREADY, AND SAID THEY WOULD BE BACK TO US.

4. IN THE A.M. OF JUNE 2, KRENZLER TOLD US THAT THE COMMISSION HAD RECONSIDERED OUR REQUEST AND HOPED TO BE ABLE TO FORMALLY COMMUNICATE TO USEC THIS AFTERNOON ITS WILLINGNESS TO HOLD TECHNICAL DISCUSSIONS WITH US ON THE PROCESSING SUBSIDY ISSUE. LATER ON JUNE 2, KRENZLER INFORMED US THAT MANAGEMENT COMMITTEE MET AND DECIDED TO POSTPONE AN OPINION ON SUBSIDY LEVEL UNTIL NEXT MEETING ON JUNE 16. KRENZLER CONTINUED TO BELIEVE COMMISSION WILL BE WILLING TO CONSULT BUT SAID HE COULD NOT FORMALLY CONVEY THIS TO US BEFORE NEXT WEEK.

5. FOR WASHINGTON'S INFORMATION, DG-I WILL UNDOUBTEDLY WISH TO BE REPRESENTED AT SUCH DISCUSSIONS. DG-VI WILL WANT THEIR TECHNICAL AND TRADE POLICY OFFICIALS PRESENT, BUT EITHER PIZZUTI OR JACQUOT - OR BOTH - WILL BE IN LONDON FOR THE GRAINS INTERIM COMMITTEE MEETING IF CONSULTATIONS TAKE PLACE PRIOR TO JUNE 22. WE SEE ADVANTAGE TO HOLDING THE CONSULTATIONS IN BRUSSELS, WHERE

DG-I PEOPLE ARE PRESENT. ALSO USEC CAN SERVE AS POINT OF CONTINUITY FOR NECESSARY FOLLOW-UP THEREAFTER. NOTWITHSTANDING THE VENUE FOR THE MEETING, U.S. PARTICIPANTS IN THE CONSULTATIONS SHOULD BE PREPARED TO DISCUSS BOTH THE TECHNICAL AND TRADE POLICY ASPECTS OF THIS PROBLEM.

6. WE NOTE ALSO THAT THE COMMISSION IS UNDER TIGHT TIME CONSTRAINTS TO REACH DECISION ON THE AMOUNTS OF SUBSIDY BECAUSE THE PROCESSING SUBSIDY PROGRAM IS SUPPOSED TO GO INTO EFFECT JULY 1, 1978. HINTON

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